

One of the major problems facing both the Federal and State governments is the soaring cost of Medicaid. The problem is not going to get any better; in fact it is going to get a lot worse! For example, here in Kansas the numbers of persons over 60 is projected to double within the next 10 years. We are already beginning to feel the initial impact of the *Baby Boomers*.

Many of the states (Kansas included) elected to forego a partial solution to this program when in November of 1998 they signed an agreement with the 4 major tobacco companies that would pay them approximately \$246 billion over 25 years.

Some states have used the monies for golf course sprinkler systems; to discourage satanic worship; converting public television to digital.

Some are selling all or part of their portions of their future payments at a discount to investors. (Wisconsin sold its \$5.9 billion for \$1.9 billion.

The settlement made no provision for recovery of the federal government of tobacco related costs that Medicare had or would incur.

However, Medicaid claims were the centerpiece of the litigation the states initiated. It is indisputable that the payments by tobacco manufacturers are designed to reimburse states for Medicaid costs.

Kansas Lawsuit stated : *the State seeks restitution for smoking related health care costs paid by the state.. A significant portion of the monies that the state has paid out, and will continue to pay out, to citizens under the Kansas Medicaid program is for health care costs attributable to smoking related illnesses and diseases.*

In 1997 the Indiana attorney general sent a memo to all suing attorney generals which made it clear that Medicaid recoveries were central to the state lawsuits. The settlement agreements extinguish any legal claims states have against tobacco manufacturers to recover past or future Medicaid costs attributable to smoking induced illnesses.

The distribution of the proceeds of the Master Settlement to the states closely mirrors each state's share of Medicaid-related tobacco expenditures. *The Wall Street Journal* reported that the amounts each state receives *will depend on the numbers of Medicaid recipients on each state's rolls, the cost of medical services, and the amount each state contributed to Medicaid coverage historically.*

Remember the original agreement was with only 4 major tobacco companies. Last year Vibo Corporation, a Miami based cigarette distributor for Columbian cigarette maker Protabaco S.A., agreed to pay the fund \$78 million immediately and \$1.7 billion in the next 10 years. This company is among the 40 plus companies who have agreed to make annual payments.

Another lawsuit by the Justice Department alleging that big tobacco conspired to mislead the public about the addictive dangers of smoking is still pending. The government asked for \$130 billion but later reduced it to \$30 billion.

The bottom line

The Federal government needs to put pressure on the states to use the original tobacco settlement monies for the purposes stated in their lawsuit.

Congress should insist that all smaller companies' payments be used for the stated purpose. Congress could put pressure on the states to use the money as it was intended. They have the perfect argument; the FEDs are cutting some Medicaid/Medicare monies and the argument is that the states could have or should have used the tobacco money to offset those additional or unfunded costs.

Finally, Congress should insist that any money recovered in the addiction lawsuit be earmarked to offset cuts in Medicaid/Medicare.